



IN THE BUSINESS OF YOUR SUCCESS™

## PAYROLL IN JAPAN

Complex rules  
and high quality  
service

給与明細書

**ADP STREAMLINE™**

MULTI-COUNTRY PAYROLL & HR ADMINISTRATION

HR. Payroll. Benefits.

# Payroll in Japan: complex rules and individual expectations

The 70 categories of this payslip show how complex pay rules are in Japan. It also reveals the range of services provided by companies to each of their employees. Payroll production requires a multitude of capabilities and a real ability to tailor pay to individual expectations.

## GROSS PAY

- Basic monthly salary
- Dependency allowance
- Weighting allowance
- "Weighting allowance (for larger area)"
- Assignment allowance
- Overtime allowance
- "Night work allowance (without staying overnight)"
- Special duty allowance
- "Night duty allowance (with staying overnight)"
- "Special duty allowance for management post"
- Cold area allowance
- Commuting allowance
- Housing allowance.
- Unaccompanied duty allowance
- Adjustment

## DEDUCTIONS

- Income tax
- Local tax
- Health insurance
- Nursing care insurance
- Employees pension insurance
- Employees pension fund
- Mutual aid premium
- Employment insurance
- Company housing rent
- Collective insurance
- Postal life insurance
- Welfare membership fee
- Loans
- Home loan
- Disaster loan
- Housing installment saving
- Employees' savings system
- Union dues
- Other deductions
- Adjustment

- Spouse
- "Dependent family (exclude spouse/include juvenile)"
- Disability person
- Num. of dependent family for tax calculation (exclude juvenile/include spouse)
- Net pay
- Monthly payment
- Paid into the bank account

- Health insurance
- Employees pension insurance
- Monthly social insurance calculation sum
- Monthly fund calculation sum
- Net taxable amount
- Employment insurance amount
- Year to date
- Amount paid
- Amount of taxes withheld
- Amount of social insurances withheld

和久洲 太郎 殿 平成 23年 7月 20日 支給明細書

支給		控除		内訳		計算基礎	
毎給 4-121	483,300	所得税	36,300	(団体保険料)	2,300	超過時間125%	17
(新旧特給差額)	0,212	地方税	48,900	あいおい増額		超過時間150%	0
扶養手当	24,500	健康保険料	30,175			超過時間35%	14
地域手当	5,380	介護保険料	3,585			超過時間135%	1
広域通勤手当	43,421	厚生年金保険料	36,700			超過時間60%	0
職務手当	20,000	厚生年金基金	17,430			超過時間100%	0
超過勤務手当	99,377	共済掛金	0			超過時間175%	0
夜勤手当	0	雇用保険料	4,563			夜勤時間数	0
特殊勤務手当	0	宿舍使用料	25,233			(調整)	
宿日直手当	0	団体保険料	2,380			期末手当	-400
管理職特勤手当	0	簡易保険	0			健康保険料	-43
寒冷地手当	0	厚生会費	1,480			介護保険料	-5
通勤手当	15,206	厚生会費返付	35,134			厚生年金保険料	-58
住居手当	0	厚生会費返付	0			厚生年金基金	-21
専任責任手当	53,000	住宅積立貯金	0				
調整	-400	財形貯蓄	0				
		組合費	8,880				
		その他控除	400				
		調整	-128				
<b>支給合計額 Total</b>	<b>758,996</b>	<b>控除合計額 Total</b>	<b>249,072</b>				

配 扶 障 預	標準報酬月額	健保	710
2 2 0 3	(平均)	厚保	620
	差引支給額	基金標準給与月額	480
	当月支給額	課税対象支給額	743,700
	内振込額	雇用保険対象額	758,996
		年 支払済金額	6,270,562
		累 収済税額	425,184
		計 徴収済社保料	760,637

## PAYROLL IN JAPAN CONSISTS OF:

- Remuneration in accordance with multiple parameters
- Responsibility for the employee's tax statement
- Insurance and financial services provided by the employer
- Adaptation to the individual situation of the employee
- Individualized calculation rules
- Social security statements requiring a lawyer or certified advisory firm

## BREAKDOWN

- Collective insurance
- Employees' savings system
- "Other deductions - welfare membership fee"

## BASIS OF OVERTIME CALCULATION

- "125% overtime (regular-late night)"
- "150% overtime (regular-overnight of late night)"
- "35% overtime (regular)"
- "135% overtime (statutory holiday)"
- "60% overtime (specified holiday)"
- "160% overtime (specific holiday overnight of late night)"
- "175% overtime (statutory holiday overnight of late night)"
- Total hours of night work
- Adjustment
- Terminal allowance
- Health insurance
- Nursing care insurance
- Employees pension insurance
- Employees pension fund

給与明細書

# More than 350 processes

Insurance, bank credit, taxes: in addition to remuneration that is itself the subject of multiple parameters, the Japanese payslip shows the wide range of services offered by employers to their employees.

## A VERY VERSATILE PAYROLL SYSTEM

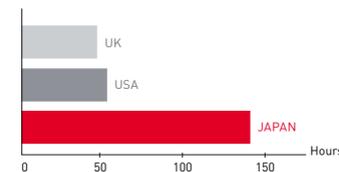
Payroll in Japan is among the most complex in the world. Over and above the components of remuneration, it includes a multitude of features such as mandatory or optional insurance premiums, calculation of income tax or management of various financial benefits provided to the employee. Payroll managers and HR specialists must have an enormous skill set in order to make the required calculations. In addition, for social security benefits, Japanese companies are required to use a specialized lawyer (LSSA) or government-certified advisory firms (CSISL).

According to local specialists, producing a Japanese payslip requires the execution of at least 350 processes. The average time that companies devote to complying with the labor tax illustrates how complex this is: 140 hours in Japan versus 45 in the UK and 55 in the US.



## TIME TO COMPLY TO LABOR TAX

Source: the World Bank, 2011



## THE MANY PARAMETERS OF REMUNERATION

In Japan, there are no less than 299 minimum wages, set by each of the 47 prefectures and 252 occupational categories.

In addition, calculating gross remuneration includes several parameters. Beyond the base salary, all full-time employees receive an individual bonus which is usually paid twice a year, as well as around ten subsidies for transport, housing, dependents and the like resulting from their individual circumstances. The calculation of overtime, moreover, is based on seven different rates depending on whether the overtime is at night, on weekends, holidays and so on.

Remuneration alone requires about 25 lines on the Japanese payslip.

## A SERVICE PACKAGE FOR EMPLOYEES

For each payroll period, companies are required to calculate a large number of contributions and deductions reflecting services provided to employees. For example, companies file their employees' tax statement: each month they calculate the amount of tax due and withhold it. At the end of the year they make a final calculation and either withhold more or return monies to the employee.

On a Japanese pay statement, there are six social security insurance contributions, corresponding to different benefits which can be mandatory or optional such as retirement, unemployment, health care, family allowances; as well as many contributions to different financial services provided such as loans, savings plans or life insurance.

# Behind a Japanese payslip

## SALARY AND BONUSES

- Basic salary.
- Bonuses.

Bonuses are part of the regular income for all full-time employees. Companies normally pay bonuses twice a year.

Bonuses are calculated based on individual rules that are distinct from monthly payroll calculation rules.

## VARIOUS ALLOWANCES

- Companies offer a variety of allowances to compensate for special working conditions: overtime, weighting, night work, special or unaccompanied duty, remote area, cold area allowances.
- Another category of allowances compensates for specific expenses: commuting, child care, housing, and allowances for dependents.

## INCOME TAXES

- Companies calculate and pay income taxes on behalf of their employees.

An income tax amount is calculated every month. It is a preliminary tax calculation result.

Personal information (marital status, number of dependent family members) is required to calculate income tax.

- Year End Tax Adjustment (YETA): companies are required to calculate current year's actual income tax in December. They must refund surplus amount to the employee or make up the shortfall for the employee.

## LOANS AND SAVINGS PLAN

- Loans, home loans, disaster loans are different types of loans granted by companies to their employees to finance specific life events.

- Housing installment savings, employees savings systems correspond to payments to the different savings plans offered by the company to employees.

和久洲 太郎 殿 平成 23年 7月 20日 支給明細書

支給	控除	内訳	計算基礎
<ul style="list-style-type: none"> <li>月給 121 483,300</li> <li>家族手当 24,500</li> <li>地域手当 5,580</li> <li>通勤手当 48,421</li> <li>残業手当 20,000</li> <li>超過勤務手当 99,377</li> <li>夜勤手当 0</li> <li>特快通勤手当 0</li> <li>宿日直手当 0</li> <li>管理職特勤手当 0</li> <li>海外手当 0</li> <li>通勤手当 16,206</li> <li>生居手当 0</li> <li>専務赴任手当 83,000</li> <li>調整 400</li> </ul>	<ul style="list-style-type: none"> <li>所得税 36,300</li> <li>地方税 46,000</li> <li>健康保険料 30,178</li> <li>介護保険料 2,980</li> <li>厚生年金保険料 36,703</li> <li>厚生基金 17,450</li> <li>共済掛金 0</li> <li>雇用保険料 4,356</li> <li>雇用調整助成金 23,233</li> <li>労務費 2,360</li> <li>労務費 (調整) 0</li> <li>厚生年金基金 1,490</li> <li>厚生年金普通預付 38,184</li> <li>厚生年金預貯金 0</li> <li>財形貯蓄 0</li> <li>組合費 8,980</li> <li>その他控除 900</li> <li>調整 -125</li> </ul>	<ul style="list-style-type: none"> <li>租税控除料 2,360</li> <li>超過時間 125%</li> <li>超過時間 190%</li> <li>超過時間 35%</li> <li>超過時間 135%</li> <li>超過時間 60%</li> <li>超過時間 160%</li> <li>超過時間 175%</li> <li>夜勤時給 0</li> <li>精米手当 -400</li> <li>健康保険料 -43</li> <li>介護保険料 -5</li> <li>厚生年金保険料 -51</li> <li>厚生年金基金 -21</li> <li>財形貯蓄 400</li> <li>その他控除 400</li> </ul>	<ul style="list-style-type: none"> <li>17</li> <li>14</li> <li>0</li> <li>0</li> <li>0</li> <li>0</li> <li>0</li> <li>0</li> <li>-400</li> <li>-43</li> <li>-5</li> <li>-51</li> <li>-21</li> <li>400</li> </ul>
支給合計額 Total 758,989	控除合計額 Total 249,078		

## OVERTIME CALCULATION

- Seven different rates apply to overtime hours worked before overtime allowance calculation.
- Overtime rates depend on period (regular, statutory or company-specific holiday) and the time of day (office hours, late night or overnight).
- Overtime also leads to adjustments in social security payments.

## SOCIAL SECURITY BENEFITS

- Health and nursing care insurance, employment insurance, employees' pension insurance are compulsory insurance systems managed by government.
- Many companies or industries give access to specific social security insurance systems, on top of government system. Contributions are calculated on an individual basis.
- For all insurance, the employer's contribution – not visible on the payslip – is in addition to employees' contribution. Workers accident compensation insurance is paid only by employers.

## PENSION SYSTEM CONTRIBUTIONS

- Employees' pension insurance or the mutual aid premium are contributions to government-managed pension benefits.
- Employee pension funds are contributions to specific company pension benefits.

## OTHER INSURANCE

- Postal life insurance (also known as Kampo) is a contribution to a life insurance managed by a subsidiary of the (government-owned) Japanese post office.

## RETIREMENT BENEFITS SYSTEM / SEVERANCE PAY PROVISIONS

- Many companies in Japan adopt a retirement benefit system by which all employees are entitled to severance pay with or without cause. Companies contribute during each pay period to a special fund for that purpose.
- Retirement allowances are calculated based on individual rules, separately from monthly payroll calculation rules. Employees are given the choice between lump-sum payment or annual pension.

# Unique levels of expectations

Japanese companies have historically been responsible for the welfare of their employees. Through the payroll function, they provide individualized services to their employees, always insuring high levels of quality service.



## HIGH EXPECTATIONS OF PAYROLL SERVICE QUALITY

When a Japanese company outsources its payroll function to a third party, in fact it is outsourcing an array of services for each individual employee.

The payroll service provider must obviously have a full mastery of each of the aspects of Japanese payroll processing. But it also has to live up to expectations of employees. This means that all processes must be fully traceable, total quality management of the payroll function and virtually instantaneous responsiveness, especially at critical points such as cut off or payday.

Moreover, since payroll is a competitive factor for companies, they expect their payroll provider to take a personal approach so that the payslip strongly reflects the company identity. This even leads certain payroll providers to offer resource to their customers.

## EMPLOYEE LIFESTYLE ADJUSTMENTS

In Japan, for historical reasons, companies take on the role of assisting and safeguarding employees' welfare throughout their lifetimes. They offer individualized services — insurance, loans, optional savings plans — and pay benefits in accordance with the employee's individual situation.

The type of transportation used by the employee, the length of commute, type of housing, family size are all taken into account to calculate benefits as well as taxes and social security payments. This requires a high individualization of the payroll process.

## A COMPETITIVE ADVANTAGE FOR EMPLOYERS

In Japan, the employee benefits package — reflected on the payslip — constitutes a competitive advantage to attract and retain employees. And companies do compete against each other in the quality of their pay packages.

This just increases the expectations that Japanese employees have of the HR services of their company. They demand perfect service in the calculation of all elements of payroll, individual treatment and a high degree of responsiveness from payroll and HR staff.



# 給与明細書

ADP STREAMLINE™

# Borderless Human Resources



## A MULTI-COUNTRY PAYROLL SERVICE

ADP Streamline's outsourced service enables you to harmonize your company's multi-country payroll and human resources administration.

## UNIQUE BENEFITS

Whatever your size, type of organization, and geographical footprint, you can rely on ADP Streamline to be your trusted business partner and single point of accountability.

We ensure statutory payroll compliance worldwide, support deployment and control of your corporate policy, and international expansion.

## GEOGRAPHICAL FOOTPRINT

ADP Streamline serves clients in 80 countries, and it will serve 91 in the coming months.

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